

Service Date: August 27, 1985

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER Of The Application)
Of MOUNTAIN WATER COMPANY For) UTILITY DIVISION
Authority To Increase Rates And) DOCKET NO. 84.9.59
Charges For Water Service In Its) ORDER NO. 5139b
Missoula, Montana Service Areas.)

ORDER ON PETITION FOR RECONSIDERATION

FINDINGS OF FACT

1. On July 17, 1985, the Commission issued Order No. 5139a which disposed of all matters then pending in Docket No. 84.9.59.
2. On August 2, 1985, Mountain Water Company (MWC Applicant) filed a Petition For Reconsideration concerning following issues:
 - 1) Treatment Afforded Net Operating Loss Carryforwards
 - 2) Revision of the Approved Flat Rate Structure

NET OPERATING LOSS CARRYFORWARDS

3. In its petition, MWC indicates that on an actual basis no net operating loss carryforwards (NOL) are available as an offset to income tax expense, beyond the 1984 tax year. Based on this actual information MWC requests that the Commission reconsider its treatment of NOL in Order No. 5139a and authorize recovery of tax expense at the actual calculated

level, excluding the availability of NOL.

4. The Commission is of the opinion that MWC's request should be denied. While it may be true that, on an actual basis, MWC has fully utilized the available NOL to offset income tax expense, the ratemaking treatment afforded the carryforwards differs substantially from actual experience. The Commission in setting rates for MWC amortized the available NOL over a three year period, this means that 1/3 of the available NOL would be utilized each year starting with the test year. The test year in this Docket was the year ending December 31, 1983; therefore, for ratemaking purposes, full utilization of the NOL would not occur until December 31, 1985 which is the third year of the recognized amortization period.

RATE STRUCTURE

5. In its petition, MWC states the flat rate structure it proposed, and which the Commission approved, contains a feature which will frustrate the rendering of accurate billings to certain customers. The affected customers, Individual 3-room or Larger Apartments and Duplexes, were previously classed as single family dwellings. Under the approved rate structure, they are now classed as multi-family dwellings. The Applicant indicates that insufficient account information regarding the affected customers prevents it from rendering an accurate bill under the multi-family customer classification and, therefore, desires to place Individual 3-room or Larger Apartments and Duplexes back under the single family dwelling customer classification

6. The Commission finds no reason to prevent the Applicant from modifying its rate structure and placing Individual 3-room or Larger Apartments and Duplexes back under

the single family dwelling customer classification.

CONCLUSIONS OF LAW

1. The Applicant, Mountain Water Company, furnishes water service to consumers in Montana, and is a "public utility" under the regulatory jurisdiction of the Montana Public Service Commission. 69-3-101, MCA.
2. The Commission properly exercises jurisdiction over the Applicant's rates and operations. 60-3-102, MCA and Title 69, Chapter 3, Part 3, MCA.
3. The Commission has provided adequate public notice of all proceedings and an opportunity to be heard to all interested parties in this Docket. Title 2, Chapter 4, MCA
4. Rates are reasonable and just.

ORDER

1. Mountain Water Company's Petition To Reconsider concerning the Commission's treatment of net operating loss carryforwards is DENIED.
2. Mountain Water Company's Petition To Reconsider concerning modification of its rate structure, is GRANTED, pursuant to Finding of Fact No. 6.
3. All motions and objections not ruled upon are DENIED.

DONE IN OPEN SESSION at, August 1985 by a 3-0 vote.
Helena, Montana this 19th day of August.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

Howard L. Ellis, Commissioner,
Presiding

Clyde Jarvis, Chairman

Tom Monahan, Commissioner

ATTEST:

Trenna Scoffield
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.